

ORIGINAL

OPEN MEETING



0000108416

MEMORANDUM

RECEIVED

TO: THE COMMISSION

2010 MAR 16 P 4: 08

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

DATE: March 16, 2010

RE: SEMSTREAM ARIZONA PROPANE, L.L.C. – APPLICATION FOR APPROVAL
OF A CORPORATE REORGANIZATION PURSUANT TO A.A.C. R14-2-803
(DOCKET NO. G-20471A-09-0537)

On November 20, 2009, Semstream Arizona Propane, L.L.C. (“Semstream Arizona” or “Company”) filed for Commission approval of a reorganization related to the emergence of its parent company out of Chapter 11 bankruptcy. Semstream Arizona consists of two divisions, the Page Division which serves approximately 1,300 customers, and the Payson Division, which serves approximately 7,800 customers. Semstream Arizona was not part of the bankruptcy filing, but its direct parent, Semstream L.P., and the overall corporate parent, SemGroup L.P., were. Arizona Administrative Code (“A.A.C.”) R14-2-803 provides a process for Commission approval of the reorganization of an existing public utility holding company.

On July 22, 2008, SemGroup filed for Chapter 11 bankruptcy in the United States Bankruptcy Court for the District of Delaware (Case No. 08-11525). Semstream Arizona is a subsidiary of Semstream L.P., which is a subsidiary of the ultimate parent company, SemGroup. While SemGroup and Semstream L.P. were part of the bankruptcy filing, Semstream Arizona was not. The bankruptcy filing was the result of the massive losses SemGroup experienced in speculative oil trading, and with SemGroup being unable to meet margin calls on futures and options positions.

On September 29, 2008, the Commission initiated Docket No. G-00000C-08-0501 for the purpose of gathering information regarding Semstream Arizona and its affiliates related to the bankruptcy proceeding. Two types of reports were filed in this docket by Semstream Arizona. One addressed operational circumstances in the Page and Payson Divisions. The second report provided an overview of developments in the bankruptcy proceeding. Semstream Arizona filed a total of 12 reports in the informational docket between November 12, 2008 and October 1, 2009. The operational reports indicate that the bankruptcy has not had a negative impact on the service provided to Semstream Arizona’s customers in Payson and Page. The November 26, 2008 report filed in the information gathering docket indicates that SemGroup had total assets in excess of \$3.5 billion and total liabilities in excess of \$4.7 billion. Of the liabilities, approximately \$3.0 billion represented secured claims, while \$1.7

Arizona Corporation Commission

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billion is in unsecured claims. Semstream Arizona, is a very small part of the overall SemGroup entity; Semstream Arizona has annual revenues of less than \$10 million for the Page and Payson Divisions, while SemGroup was reported to be the 18th largest private company in the United States 2007, with revenues of \$14.2 billion.

The Payson Division was acquired by Semstream Arizona from Energy West Inc., with Commission approval of the acquisition granted in Decision No. 69394 (March 22, 2007). The Page Division was acquired by Semstream Arizona from Black Mountain Gas, a wholly owned subsidiary of Southwest Gas Corporation, with Commission approval of the acquisition granted in Decision No. 69579 (May 21, 2007).

Pursuant to A.A.C. R14-2-803(A), a utility intending to reorganize must notify the Commission's Utilities Division in writing 120 days prior to the reorganization actually taking place. The bankruptcy proceeding was very contentious, with thousands of filings and more than 7,000 creditors, including over 100 lending institutions. Additional legal proceedings are pending against a number of pre-bankruptcy principals of SemGroup, including co-founders Tom Kivisto, Gregory Wallace, and Kevin Foxx, as well as SemGroup treasurer Brent Cooper and SemGroup Chief Accounting Officer, Alex Stallings. A report from the court-appointed investigator placed significant blame on these officers for SemGroup's problems. The report indicated that Debtors' estates have cause for action or claim in a number of regards, including negligence/mismanagement, fraud/false statements, conversion/corporate waste, unjust enrichment, breach of fiduciary duties, and breach of contract. This trial is scheduled to start on February 14, 2011.

SemGroup's bankruptcy proceeding included an initial Reorganization Plan to be filed in May 2009, and was subsequently amended three times. A major issue with the Plan was providing compensation for oil and gas producers, who argued they were owed more than \$400 million. Finally, on September 16, 2009, a settlement was reached with the oil and gas producers regarding their compensation under the Reorganization Plan. The Fourth Amended Plan of Reorganization and Disclosure Statement were filed in the bankruptcy proceeding on September 22, 2009. Despite over 80 objections to the Plan of Reorganization, the Judge in the bankruptcy proceeding approved the Plan of Reorganization on October 28, 2009. Under the Plan, SemGroup emerged from bankruptcy on November 30, 2009.

Semstream contacted Staff the first week of November and, prior to making its initial filing in this docket, held a conference call with Staff to discuss the bankruptcy proceeding and pending application. Given the aggressive timeframe adopted by the bankruptcy proceeding, with only about a one month period between the approval of the Plan of Reorganization and when the Company emerged from bankruptcy under the Plan, it is understandable how notification to the Utilities Division 120 days prior to the reorganization was unrealistic. Staff believes Semstream Arizona contacted Staff in a timely manner, even though not in technical compliance with the 120 day requirement.

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While the corporate reorganization has already taken place and SemGroup has emerged from bankruptcy, Staff has conducted a review of the reorganization and whether it is in the public interest for Semstream Arizona and its customers.

During the bankruptcy proceeding, other affiliates under the SemGroup corporate umbrella were sold off, and the reorganization involved a restructuring of SemGroup's remaining assets. Prior to emergence from bankruptcy, SemGroup was a privately held company; after the reorganization, it is now a publicly traded company, SemGroup Corporation. The initial shareholders are more than 2,000 of the pre-bankruptcy creditors. SemGroup has indicated that it expects to apply in mid-2010 to the Securities and Exchange Commission ("SEC") for listing on a national exchange. SemGroup has indicated it believes becoming a publicly-owned corporation will have a number of positive impacts on the corporation, including improved corporate governance due to SEC rules and regulations, greater transparency, and improved access to debt and equity capital markets. Semstream L.P. will continue to be the direct parent company of Semstream Arizona, as it was prior to the bankruptcy filing. The corporate officers within SemGroup and Semstream L.P. who Semstream Arizona reports to, have changed as a result of the reorganization; the table below identifies the old and new corporate officers:

Officers Before Bankruptcy	Officers After Reorganization
Terrence Ronan – CEO, SemGroup	Norm Szydlowski – CEO, SemGroup
Larry Payne – President, Semstream, L.P.	Kevin Clement – President, Semstream L.P.
Alisa Perkins – Treasurer and Secretary, SemGroup	Paul Largess – Controller and CAO, SemGroup
Dave Wunch – Vice President, Semstream, L.P.	Robert N. Fitzgerald – Senior Vice President, Secretary, and CFO, Semgroup
Laura Lundquist – Vice President, Human Resources, SemGroup	

Based on information provided by Semstream Arizona, it does not appear that the parent company's bankruptcy proceeding has negatively impacted Semstream Arizona's operations and customer service in Page and Payson nor Semstream Arizona's ability to meet its financial obligations. Semstream Arizona has continued to purchase propane supplies and conduct other financial activities throughout the period of the bankruptcy proceeding.

Regarding on-going financing of infrastructure and other capital requirements, Semstream Arizona has indicated it believes it has sufficient capital to internally fund its needs, but that if necessary, the Company could request additional funding from Semstream L.P. Semstream Arizona has stated that it currently has \$3.7 million available for capital needs, with capital requirements in 2010 projected at \$930,000 and \$980,000 in 2011. Semstream Arizona's capital budget would be generated locally and then be approved by Semstream L.P. and SemGroup before final approval by the Board of Directors of SemGroup.

Prior to the bankruptcy filing, Semstream Arizona had typically purchased a portion of its propane supplies from an affiliated entity within another part of SemGroup. Staff believes this is reasonable, given the limited number of suppliers available to Semstream Arizona. However, as part of the Commission's approval of the acquisition of the Payson and Page Divisions by Semstream (Decision No. 69579, May 21, 2007), the Commission ordered Semstream Arizona to include additional information in its monthly purchased gas adjustor reports, providing information on affiliated and non-affiliated propane purchases. Semstream Arizona has indicated to Staff in response to a data request that its relationship for purchasing propane from another segment of SemGroup will not change as a result of the reorganization. Staff will continue to monitor Semstream Arizona's propane purchasing activities, including the affiliated transaction information included in its monthly purchased gas adjustor reports.

The primary cause of the bankruptcy filing was speculative oil trading which resulted in massive financial losses. SemGroup has indicated in a data response to Staff that, while portions of SemGroup will continue to trade oil as part of normal business operations, SemGroup will not undertake the type of speculative oil trading which led to SemGroup's bankruptcy. Additionally, SemGroup has indicated it has taken a number of steps to avoid the problems that led to the bankruptcy filing, including:

- Hiring an experienced Chief Risk Officer;
- Formulation of a comprehensive Risk Management Policy, including detailed oversight requirements;
- Having the Audit Committee of the Board of Directors have overall risk management oversight; and
- Initiation of frequent compliance reports from persons involved in risk management trading throughout SemGroup to ensure conformity with policies and guidelines.

Staff believes these are reasonable steps to reduce the risk of repeating the problems that led SemGroup into bankruptcy; however it is difficult to assess potential future events in other segments of SemGroup.

One casualty of the bankruptcy filing concerns the construction of a propane terminal in Winslow, Arizona; it would have provided Semstream Arizona with additional optionality for its propane supply acquisitions. At the time of the bankruptcy filing, the Winslow terminal was under construction, however, the construction was halted at the time of the bankruptcy filing. Semstream Arizona's November 12, 2008 report in the information gathering docket provided a number of details regarding the Winslow terminal, including the following:

- Capital cost of \$7,000,000;
- First year operations and maintenance ("O&M") of \$250,000 and second year O&M of \$350,000;
- Seven 90,000 gallons tanks on site;
- Propane and butane would be stored at the facility; and
- Estimated annual volumes of 7.7 million gallons for other customers and 4.5 million gallons for Semstream Arizona.

In recent years, Semstream Arizona has indicated to Staff on a number of occasions that construction of the Winslow terminal is very timely, as the two storage propane storage facilities Semstream Arizona has traditionally relied on, Adamana in northern Arizona and Bumstead on the west side of Phoenix, have been sold to new owners and who both increased the charges for other parties to store propane and/or limiting availability of storage space altogether. A terminal in Winslow would have provided the possibility of purchasing propane in other markets to the east, where propane markets are larger and more liquid, and transporting such supplies to Arizona via rail car. Potential benefits to Semstream Arizona's customers from the Winslow terminal include increased supply reliability and lower prices.

In response to a data request, Semstream Arizona indicated to Staff that following SemGroup's exit from bankruptcy on November 30, 2009, SemGroup approved completion of the Winslow terminal, with construction recommencing in January 2010. Staff has verbally confirmed with Semstream Arizona that construction has now commenced on the Winslow terminal. Semstream Arizona projects that the terminal will come into service in the fall of 2010. Successful completion of the Winslow terminal would provide a new supply option for Semstream Arizona with the potential to lower the cost and increase the reliability of propane supplies for Semstream Arizona and other propane consumers in Arizona. Staff believes that completion of the Winslow terminal is a positive development for both Semstream Arizona and its customers and is likely the most tangible result of SemGroup emerging from bankruptcy.

In general, Staff believes that the exit from bankruptcy and corporate reorganization of Semstream Arizona's parent company will not have a direct impact on operations in Payson and Page, but in fact these moves may be beneficial in providing a more financially stable situation for Semstream Arizona's operations. Staff believes that completion of the Winslow terminal will directly benefit Semstream Arizona and its customers in future years and is a tangible positive result of the emergence from bankruptcy.

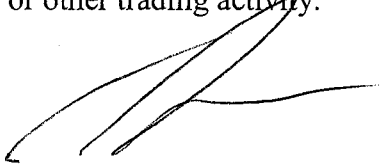
Staff recommends approval of the corporate reorganization. Staff further recommends that Semstream Arizona file with Docket Control in this Docket, a letter notifying the Commission of the start of commercial operations at the Winslow terminal within ten days of its

THE COMMISSION

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commencement. Staff further recommends that Semstream Arizona file with Docket Control, as a compliance item in this docket, a notice if any affiliate within SemGroup begins speculative oil or other trading such as that which led to SemGroup's bankruptcy filing in 2008. Any such notice(s) should be docketed within 5 calendar days of the beginning of any such speculative oil or other trading activity.



Steven M. Olea
Director
Utilities Division

SMO:RGG:lhv\WVC

ORIGINATOR: Robert Gray

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 KRISTIN K. MAYES

Chairman

3 GARY PIERCE

Commissioner

4 PAUL NEWMAN

Commissioner

5 SANDRA D. KENNEDY

Commissioner

6 BOB STUMP

Commissioner

7
8 IN THE MATTER OF APPLICATION OF)
SEMSTREAM ARIZONA PROPANE, L.L.C.)
9 FOR APPROVAL OF A CORPORATE)
REORGANIZATION PURSUANT TO)
10 A.A.C. R14-2-803.)
11)
12)

DOCKET NO. G-20471A-09-0537

DECISION NO. _____

ORDER

13 Open Meeting
14 March 31 and April 1, 2010
15 Phoenix, Arizona

16 BY THE COMMISSION:

17 FINDINGS OF FACT

18 1. Semstream Arizona Propane, L.L.C. ("Semstream Arizona" or "Company") is
19 engaged in providing propane service within portions of Arizona, pursuant to authority granted by
the Arizona Corporation Commission ("ACC" or "Commission").

20 2. On November 20, 2009, Semstream Arizona filed for Commission approval of a
21 reorganization related to the emergence of its parent company out of Chapter 11 bankruptcy.

22 3. Semstream Arizona consists of two divisions, the Page Division which serves
23 approximately 1,300 customers, and the Payson Division, which serves approximately 7,800
24 customers.

25 4. Semstream Arizona was not part of the bankruptcy filing, but its direct parent,
26 Semstream L.P., and the overall corporate parent, SemGroup L.P., were.

27 5. Arizona Administrative Code ("A.A.C.") R14-2-803 provides a process for
28 Commission approval of the reorganization of an existing public utility holding company.

1 6. On July 22, 2008, SemGroup filed for Chapter 11 bankruptcy in the United States
2 Bankruptcy Court for the District of Delaware (Case No. 08-11525). Semstream Arizona is a
3 subsidiary of Semstream L.P., which is a subsidiary of the ultimate parent company, SemGroup.

4 7. While SemGroup and Semstream L.P. were part of the bankruptcy filing,
5 Semstream Arizona was not. The bankruptcy filing was the result of the massive losses SemGroup
6 experienced in speculative oil trading, and with SemGroup being unable to meet margin calls on
7 futures and options positions.

8 8. On September 29, 2008, the Commission initiated Docket No. G-00000C-08-0501
9 for the purpose of gathering information regarding Semstream Arizona and its affiliates related to
10 the bankruptcy proceeding. Two types of reports were filed in this docket by Semstream Arizona.
11 One addressed operational circumstances in the Page and Payson Divisions. The second report
12 provided an overview of developments in the bankruptcy proceeding. Semstream Arizona filed a
13 total of 12 reports in the informational docket between November 12, 2008 and October 1, 2009.

14 9. The operational reports indicate that the bankruptcy has not had a negative impact
15 on the service provided to Semstream Arizona's customers in Payson and Page. The November
16 26, 2008 report filed in the information gathering docket indicates that SemGroup had total assets
17 in excess of \$3.5 billion and total liabilities in excess of \$4.7 billion. Of the liabilities,
18 approximately \$3.0 billion represented secured claims, while \$1.7 billion is in unsecured claims.

19 10. Semstream Arizona, is a very small part of the overall SemGroup entity; Semstream
20 Arizona has annual revenues of less than \$10 million for the Page and Payson Divisions, while
21 SemGroup was reported to be the 18th largest private company in the United States in 2007, with
22 revenues of \$14.2 billion.

23 11. The Payson Division was acquired by Semstream Arizona from Energy West Inc.,
24 with Commission approval of the acquisition granted in Decision No. 69394 (March 22, 2007).

25 12. The Page Division was acquired by Semstream Arizona from Black Mountain Gas,
26 a wholly owned subsidiary of Southwest Gas Corporation, with Commission approval of the
27 acquisition granted in Decision No. 69579 (May 21, 2007).

28 ...

1 13. A utility intending to reorganization under A.A.C. R14-2-803(A) must notify the
2 Commission's Utilities Division in writing 120 days prior to the reorganization actually taking
3 place. The bankruptcy proceeding was very contentious, with thousands of filings and more than
4 7,000 creditors, including over 100 lending institutions.

5 14. Additional legal proceedings are pending against a number of pre-bankruptcy
6 principals of SemGroup, including co-founders Tom Kivisto, Gregory Wallace, and Kevin Foxx,
7 as well as SemGroup treasurer Brent Cooper and SemGroup chief accounting officer Alex
8 Stallings. A report from the court-appointed investigator placed significant blame on these officers
9 for SemGroup's problems. The report indicated that Debtors' estates have cause for action or
10 claim in a number of regards, including negligence/mismanagement, fraud/false statements,
11 conversion/corporate waste, unjust enrichment, breach of fiduciary duties, and breach of contract.
12 The trial is scheduled to start on February 14, 2011.

13 15. SemGroup's bankruptcy proceeding included an initial Reorganization Plan filed in
14 May 2009, and was subsequently amended three times.

15 16. A major issue with in the Plan was providing compensation for oil and gas
16 producers, who argued they were owed more than \$400 million. Finally, on September 16, 2009, a
17 settlement was reached with the oil and gas producers regarding their compensation under the
18 Reorganization Plan.

19 17. The Fourth Amended Plan of Reorganization and Disclosure Statement were filed
20 in the bankruptcy proceeding on September 22, 2009. Despite over 80 objections to the Plan of
21 Reorganization, the judge in the bankruptcy proceeding approved the Plan of Reorganization on
22 October 28, 2009. Under the Plan of Reorganization, SemGroup emerged from bankruptcy on
23 November 30, 2009.

24 18. Semstream Arizona contacted Staff the first week of November and, prior to
25 making its initial filing in this docket, held a conference call with Staff to discuss the bankruptcy
26 proceeding and pending application. Given the aggressive timeframe adopted by the bankruptcy
27 proceeding, with only about a one month period between the approval of the Plan of
28 Reorganization and when SemGroup emerged from bankruptcy under the Plan, it is

1 understandable how notification to the Utilities Division 120 days prior to the reorganization was
2 unrealistic.

3 19. Staff believes Semstream Arizona contacted Staff in a timely manner, even though
4 not in technical compliance with the 120 day requirement.

5 20. While the reality of the situation is that the corporate reorganization has already
6 taken place and SemGroup has emerged from bankruptcy, Staff has conducted a review of the
7 reorganization and whether it is in the public interest for Semstream Arizona and its customers.

8 21. During the bankruptcy proceeding, certain other affiliates under the SemGroup
9 corporate umbrella were sold off, and the reorganization involved a restructuring of SemGroup's
10 remaining assets. Prior to emergence from bankruptcy, SemGroup was a privately held company.
11 The reorganization plan reflects a shift to a publicly traded company named SemGroup
12 Corporation. The initial shareholders would be more than 2,000 of the pre-bankruptcy creditors.

13 22. SemGroup has indicated that it expects to apply in mid-2010 to the Securities and
14 Exchange Commission ("SEC") for listing on a national exchange. SemGroup has indicated that it
15 believes that becoming a publicly-owned corporation will have a number of positive impacts on
16 SemGroup, including improved corporate governance due to SEC rules and regulations, greater
17 transparency, and improved access to debt and equity capital markets.

18 23. Semstream L.P. will continue to be the direct parent company of Semstream
19 Arizona, as it was prior to the bankruptcy filing. The corporate officers within SemGroup and
20 Semstream L.P. who Semstream Arizona reports to have changed as a result of the reorganization;
21 the table below identifies the old and new corporate officers:

Officers Before Bankruptcy	Officers After Reorganization
Terrence Ronan – CEO, SemGroup	Norm Szydlowski – CEO, SemGroup
Larry Payne – President, Semstream, L.P.	Kevin Clement – President, Semstream L.P.
Alisa Perkins – Treasurer and Secretary, SemGroup	Paul Largess – Controller and CAO, SemGroup
Dave Wunch – Vice President, Semstream, L.P.	Robert N. Fitzgerald – Senior Vice President, Secretary, and CFO, Semgroup
Laura Lundquist – Vice President, Human Resources, SemGroup	

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1 24. Based on information provided by Semstream Arizona, it does not appear that the
2 parent company's bankruptcy proceeding has negatively impacted Semstream Arizona's
3 operations and customer service in Page and Payson or Semstream Arizona's ability to meet its
4 financial obligations. Semstream Arizona has continued to purchase propane supplies and conduct
5 other financial activities throughout the period of the bankruptcy proceeding.

6 25. Regarding on-going financing of infrastructure and other capital requirements,
7 Semstream Arizona has indicated to Staff that it believes it has sufficient capital to internally fund
8 its needs, but that if necessary, the Company could request additional funding from Semstream
9 L.P. Semstream Arizona has stated that it currently has \$3.7 million available for capital needs,
10 with capital requirements in 2010 projected at \$930,000 and \$980,000 in 2011. Semstream
11 Arizona's capital budget would be generated locally and then be approved by Semstream L.P. and
12 SemGroup before final approval by the Board of Directors of SemGroup.

13 26. Prior to the bankruptcy filing, Semstream Arizona had typically purchased a portion
14 of its propane supplies from an affiliated entity within another part of SemGroup. Staff believes
15 this is reasonable, given the limited number of suppliers available to Semstream Arizona.
16 However, as part of the Commission's approval of the acquisition of the Payson and Page
17 Divisions by Semstream Arizona (Decision No. 69579, May 21, 2007), the Commission ordered
18 Semstream Arizona to include additional information in its monthly purchased gas adjustor
19 reports, providing information on affiliated and non-affiliated propane purchases. Semstream
20 Arizona has indicated to Staff in response to a data request that its relationship for purchasing
21 propane from another segment of SemGroup will not change as a result of the reorganization.
22 Staff will continue to monitor Semstream Arizona's propane purchasing activities, including the
23 affiliated transaction information included in its monthly purchased gas adjustor reports.

24 27. The primary cause of the bankruptcy filing was speculative oil trading which
25 resulted in massive financial losses. SemGroup has indicated in a data response to Staff that, while
26 portions of SemGroup will continue to trade oil as part of normal business operations, SemGroup
27 will not undertake the type of speculative oil trading which led the Company into bankruptcy.

28 ...

1 Additionally, SemGroup has indicated it has taken a number of steps to avoid the problems that led
2 to the bankruptcy filing, including:

- 3 • Hiring an experienced Chief Risk Officer;
- 4 • Formulation of a comprehensive Risk Management Policy, including detailed
5 oversight requirements;
- 6 • Having the Audit Committee of the Board of Directors have overall risk management
7 oversight; and
- 8 • Initiation of frequent compliance reports from persons involved in risk management
9 trading throughout the Company to ensure conformity with policies and guidelines.

10 28. Staff believes these are reasonable steps to reduce the risk of repeating the problems
11 that led SemGroup into bankruptcy, but it is difficult to assess what events could take place in
12 other parts of SemGroup in the future.

13 29. One casualty of the bankruptcy filing was the construction of a propane terminal in
14 Winslow, Arizona that would have provided Semstream Arizona with additional optionality for its
15 propane supply acquisitions. At the time of the bankruptcy filing, the Winslow terminal was under
16 construction, but the construction was halted at the time of the bankruptcy filing. Semstream
17 Arizona's November 12, 2008 report in the information gathering docket provided a number of
18 details regarding the Winslow terminal, including the following:

- 19 • Capital cost of \$7,000,000;
- 20 • First year operations and maintenance ("O&M") of \$250,000 and second year O&M
21 of \$350,000;
- 22 • Seven 90,000 gallons tanks on site;
- 23 • Propane and butane would be stored at the facility; and
- 24 • Estimated annual volumes of 7.7 million gallons for other customers and 4.5 million
25 gallons for Semstream Arizona.

26 30. In recent years, Semstream Arizona has indicated to Staff on a number of occasions
27 that construction of the Winslow terminal is very timely, as the two storage propane storage
28 facilities Semstream Arizona has traditionally relied on, Adamana in northern Arizona and

1 Bumstead on the west side of Phoenix, had been sold to new owners and were both increasing their
2 charges for other parties to store propane there and/or limiting availability of storage space
3 altogether.

4 31. A terminal in Winslow would provide the possibility of purchasing propane in other
5 markets to the east, where propane markets are larger and more liquid, and transporting such
6 supplies to Arizona via rail car. Potential benefits to Semstream Arizona's customers from the
7 Winslow terminal include increased supply reliability and lower prices.

8 32. In response to a data request, Semstream Arizona indicated to Staff that following
9 SemGroup's exit from bankruptcy on November 30, 2009, SemGroup approved completion of the
10 Winslow terminal, with construction recommencing in January 2010. Staff has verbally confirmed
11 with Semstream Arizona that construction has now commenced on the Winslow terminal.
12 Semstream Arizona projects that the terminal will come into service in the fall of 2010.

13 33. Successful completion of the Winslow terminal would provide a new supply option
14 for Semstream Arizona with the potential to lower the cost and increase the reliability of propane
15 supplies for Semstream Arizona and other propane consumers in Arizona. Staff believes that
16 completion of the Winslow terminal is a positive development for both Semstream Arizona and its
17 customers and is likely the most tangible result of SemGroup emerging from bankruptcy.

18 34. In general, Staff believes that the exit from bankruptcy and corporate reorganization
19 of Semstream Arizona's parent company will not have a direct impact on operations in Payson and
20 Page, but that these moves may be beneficial in providing a more financially stable situation for
21 Semstream Arizona operations. Staff believes that completion of the Winslow terminal will most
22 likely directly benefit Semstream Arizona and its customers in future years and is a tangible
23 positive result of the emergence from bankruptcy.

24 35. Staff has recommended approval of the corporate reorganization.

25 36. Staff has further recommended that Semstream Arizona file with Docket Control in
26 this Docket, a letter notifying the Commission of the start of commercial operations at the
27 Winslow terminal within ten days of its occurrence.

28 ...

1 37. Staff has further recommended that Semstream Arizona file with Docket Control in
2 this Docket a notice if, at any time in the future, any affiliate within SemGroup begins speculative
3 oil or other trading such as that which led to SemGroup's bankruptcy filing in 2008.

4 CONCLUSIONS OF LAW

5 1. Semstream Arizona is an Arizona public service corporation within the meaning of
6 Article XV, Section 2, of the Arizona Constitution.

7 2. The Commission has jurisdiction over Semstream Arizona and over the subject
8 matter of the application.

9 3. The Commission, having reviewed the application and Staff's Memorandum dated
10 March 16, 2010, concludes that it is in the public interest to approve the reorganization, subject to
11 conditions contained in Findings of Fact Nos. 36 and 37.

12 ORDER

13 IT IS THEREFORE ORDERED that Semstream Arizona Propane, L.L.C.'s reorganization
14 plan is approved.

15 IT IS FURTHER ORDERED that Semstream Arizona Propane, L.L.C. file with Docket
16 Control, as a compliance item in this docket, a letter notifying the Commission of the start of
17 commercial operations at the Winslow terminal within ten days of its occurrence.

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1 IT IS FURTHER ORDERED that Semstream Arizona Propane, L.L.C. file with Docket
2 Control, as a compliance item in this docket, a notice if any affiliate within SemGroup begins
3 speculative oil or other trading such as that which led to SemGroup's bankruptcy filing in 2008.
4 Any such notice(s) should be docketed within 5 calendar days of the beginning of any such
5 speculative oil or other trading activity.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7
8 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

9
10 CHAIRMAN

COMMISSIONER

11
12
13 COMMISSIONER

COMMISSIONER

COMMISSIONER

14
15 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
16 Executive Director of the Arizona Corporation Commission,
17 have hereunto, set my hand and caused the official seal of
18 this Commission to be affixed at the Capitol, in the City of
19 Phoenix, this _____ day of _____, 2010.

20 _____
21 ERNEST G. JOHNSON
22 EXECUTIVE DIRECTOR

23 DISSENT: _____

24 DISSENT: _____

25 SMO:RGG:lh\WVC
26
27
28

1 SERVICE LIST FOR: Semstream Arizona Propane, L.L.C.
2 DOCKET NO. G-20471A-09-0537

3 Mr. Michael M. Grant
4 Gallagher and Kennedy
5 2575 East Camelback Road
6 Phoenix, Arizona 85016-9225

7 Mr. Steven M. Olea
8 Director, Utilities Division
9 Arizona Corporation Commission
10 1200 West Washington Street
11 Phoenix, Arizona 85007

12 Ms. Janice M. Alward
13 Chief Counsel, Legal Division
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007
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